

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0734-01
Bill No.: HB 225
Subject: Revenue Dept.; Taxation and Revenue - General and Income; Veterans
Type: Original
Date: February 26, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$83,794,904)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$83,794,904)	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation creates a \$300 refundable tax credit for veterans of World War II or surviving spouses of a veteran of World War II who have not remarried. The veterans must have been honorably discharged, cannot be guilty of fraud or evasion of the Selective Service Act, cannot be incarcerated for conviction of a felony, and cannot receive a similar credit from another state. This legislation is effective for tax years beginning on or after January 1, 2001 and ends December 31, 2001.

According to Oversight, there are 279,000 taxpayers eligible for this tax credit. The Department is assuming that the Veteran's Administration will provide a tape listing the taxpayers who qualify for this tax credit. With that assumption, the Department will need one Temporary Tax Season Employee for every 150,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Therefore, the Department will need one Temporary Tax Season Employee to key the additional credits, and two Tax Processing Tech I's to work the errors and process the correspondence. Equipment and expenses will also be requested for these FTE.

This legislation will require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, a cost of \$46,170. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

Oversight assumes DOR would need the temporary personnel and FTE only for the year this credit is in effect (FY 2002). Any additional phone calls or correspondence in subsequent years generated by this proposal could be handled by existing personnel.

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** state the Office of Adjutant General is better suited to respond to this legislation.

Officials of the **Department of Public Safety, Veterans' Commission (VET)** assume this bill will require VET to assist in determining eligibility of World War II veterans for this proposed tax credit. Once verified, VET would not be required to verify individuals thereafter, thus, this would be a one-time cost to VET.

There were 438,000 WWII veterans. Of this amount, about 120,000 still survive. Of the 318,000 deceased, VET expects, at most, 50% will qualify for the tax relief or 159,000. This ASSUMPTION (continued)

means there will be approximately 279,000 veterans or their surviving spouses to take advantage of this proposed legislation. VET anticipates that 30% of these would require additional assistance from VET to determine eligibility. That means 83,700 would require additional assistance in determining eligibility. Thus, one FTE and an additional \$94,904 would be required to fulfil the requirement of this legislation.

Oversight assumes this proposal would result in a loss of revenue for FY02 of \$83.7 million (279,000 eligible veterans and surviving spouses x \$300 credit).

This legislation will reduce total state revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Tax credit for WWII veterans/spouses	(\$83,700,000)	\$0	\$0
<u>Cost - Department of Revenue</u>			
Personal Service (1 temp/2 FTE)	(\$28,476)	\$0	\$0
Fringe Benefits	(\$9,491)	\$0	\$0
Expense and Equipment	(\$13,833)	\$0	\$0
Programming changes	<u>(\$55,177)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - DOR	(\$106,977)	\$0	\$0
<u>Cost - Veterans Commission</u>			
Personal Service (1 FTE)	(\$18,866)	\$0	\$0
Fringe Benefits	(\$6,288)	\$0	\$0
Expense and Equipment	<u>(\$69,750)</u>	<u>\$0</u>	<u>\$0</u>
Total Costs - VET	<u>(\$94,904)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$83,901,881)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill authorizes a one-time refundable individual income tax credit of \$300 to certain persons who served on active duty in the United States military service during World War II or their surviving spouses. The credit may only be taken during the tax year 2001.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning
Department of Public Safety
Missouri Veterans Commission



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